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Macroeconomic policy questions: external debt crisis and development

Jamaica:* draft resolution

External debt crisis and development

The General Assembly,

Recalling its resolutions 58/203 of 23 December 2003 and 59/223 of 22 December 2004 on the external debt crisis and development,

Reaffirming the Monterrey Consensus of the International Conference on Financing for Development,[1] which recognizes sustainable debt financing as an important element for mobilizing resources for public and private investment,

Recalling the United Nations Millennium Declaration adopted on 8 September 2000,[2] which reaffirms the need to deal comprehensively and effectively with the debt problems of low- and middle-income developing countries,

Recalling also section II on development of the United Nations 2005 World Summit Outcome,[3]

Recalling further its resolution 57/270 B of 23 June 2003,

Concerned that many developing countries continue to struggle for a durable solution to their serious debt problems, where continuing debt and debt-servicing obligations adversely affect their sustainable development,

Noting that the Heavily Indebted Poor Countries Initiative aims to promote debt sustainability in the poorest countries and that its implementation could be enhanced by streamlining conditionalities, and while acknowledging further

* On behalf of the States Members of the United Nations that are members of the Group of 77 and China.

[1] *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex.

[2] See resolution 55/2.

[3] General Assembly resolution 60/1.

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progress in the implementation of the Initiative,[4] noting also that many heavily indebted poor countries continue to face substantial debt burdens after reaching the completion point under the Initiative,

Noting with concern that some other highly indebted low- and middle-income developing countries are facing serious difficulties in meeting their external debt-servicing obligations,

Emphasizing the need to ensure that debt relief does not replace other sources of financing, and welcoming in this regard the letter dated 13 September 2005 to the President of the World Bank from the Finance Ministers of the Group of Eight on its debt proposal in which it is acknowledged that the key element of the proposal is that debt relief would be fully financed by donors to ensure that the financing capacity of international financial institutions is not reduced,

Reaffirming that debt relief can play a key role in liberating resources that could be directed towards activities consistent with hunger and poverty eradication, sustained economic growth and sustainable development and the achievement of the internationally agreed development goals, including those contained in the United Nations Millennium Declaration,

Convinced that enhanced market access to developed countries' markets for goods and services in the export interest of developing countries would significantly contribute to debt sustainability in developing countries,

1. *Takes note* of the report of the Secretary-General;[5]

2. *Emphasizes* the urgent need for the international community to adopt an effective, comprehensive, equitable, durable and development-oriented solution to the debt problems of developing countries and, in this regard, welcomes the current discussion on initiatives on debt reduction and cancellation, depending on the level of development and specific circumstances of debtor countries;

3. *Underlines* that the long-term sustainability of debt for developing countries depends on the economic growth and export prospects of debtor countries and hence, on the success in overcoming structural development problems, and stresses that this will further require additional resources to finance development, including through enhanced market access to developed countries' markets for goods and services in the export interest of developing countries and investments in developing countries;

4. *Reiterates* that debt sustainability depends on a confluence of many factors at the international and national levels and should also take into account the level of debt that allows a country to achieve the Millennium Development Goals and national development plans without an increase in debt ratios and also reiterates that countries should direct those resources freed through debt relief, in particular through debt reduction and cancellation, towards activities consistent with poverty eradication, sustained economic growth and sustainable development and the achievement of the internationally agreed development goals, including those contained in the United Nations Millennium Declaration;[2]

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[4] Eighteen countries have reached the completion point and 10 are between the decision and completion points.

[5] A/60/139.

5. *Underscores* the fact that no single indicator should be used to make definitive judgements about debt sustainability and, in this regard, while acknowledging the need to use transparent and comparable indicators, emphasizes that country-specific circumstances, social and development needs and the impact of external shocks caused by, inter alia, natural disasters, conflicts, changes in global growth prospects, and adverse terms of trade, especially for commodity-exporting developing countries, should be taken into account in debt sustainability analyses and reiterating the invitation to the International Monetary Fund and the World Bank to take into account country-specific factors in their assessment of debt sustainability, requests both institutions to present a progress report on the issue at the 2006 special high-level meeting of the Economic and Social Council with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development;

6. *Reiterates* the need for the World Bank and the International Monetary Fund to keep the overall implications of the debt sustainability framework for low-income countries under review, calls for transparency in the computation of the country policy and institutional assessments, and welcomes the intention to disclose the International Development Association country performance ratings that form part of the framework;

7. *Welcomes* the decision taken by the Group of Eight at its July 2005 summit held in Gleneagles, United Kingdom of Great Britain and Northern Ireland, by the G-8 to cancel 100 per cent of debt owed by heavily indebted poor countries and stresses that it should be expeditiously implemented by the concerned multilateral financial institutions and that the funds for this process should be additional to existing aid commitments, and also stresses the need for the Group of Eight initiative to include debt owed to multilateral financial institutions other than the International Monetary Fund, the World Bank and the African Development Bank and to enlarge the number of beneficiary countries to include all heavily indebted poor countries and non-heavily indebted poor country least developed countries and low- and middle-income developing countries; and, in this regard, stresses the need to further clarify the modalities of implementation of the Group of Eight initiative, notably on the additionality of donor resources available to all multilateral institutions for the purpose of debt relief and on the possible inclusion of additional beneficiary countries before the end of 2005 and requests the International Monetary Fund, the World Bank and the African Development Bank to present a progress report on the issue at the 2006 special high-level meeting of the Economic and Social Council with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development;

8. *Notes with concern* that, in spite of the progress achieved, some countries that have reached the completion point of the Heavily Indebted Poor Countries Initiative have not been able to achieve lasting debt sustainability and that, inasmuch as debt relief often results in a swap of fiscal expenditures in domestic currency, the implementation of the Initiative has not contributed to a real alleviation of the budgetary burden;

9. *Stresses* the importance of further flexibility with regard to the eligibility criteria for the enhanced Heavily Indebted Poor Countries Initiative, in particular for low-income developing countries emerging from conflicts and/or affected by natural

disasters, and the need to keep the computational procedures and assumptions underlying debt sustainability analysis under review;

10. *Also stresses* the need to find a solution for the debt problems of heavily indebted least developed countries, and low- and middle-income developing countries that are not eligible for debt relief under the Heavily Indebted Poor Countries Initiative and, in this regard, invites creditors and debtors to further explore, where appropriate, the use of innovative mechanisms such as debt swaps, including the debt for equity in Millennium Development Goal projects, for alleviating the debt burden of non-heavily indebted poor country least developed countries and low- and middle-income developing countries;

11. *Invites* donor countries, taking into account country-specific debt sustainability analyses, to continue their efforts to increase bilateral grants to developing countries, which could contribute to debt sustainability in the medium-to-long term, and stresses the need to take steps to ensure that resources provided for debt relief do not detract from official development assistance resources;

12. *Emphasizes* that the Evian approach of the Paris Club, decided by creditors in October 2003, deals with the debt of non-heavily indebted poor countries low- and middle-income countries, taking into account not only the financing gaps but also the medium-term debt sustainability of these countries, and welcomes the fact that its objective is to tailor debt restructuring to the financial needs of the country concerned and to ensure debt sustainability as well as an exit from Paris Club debt reschedulings;

13. *Calls upon* creditor countries to ensure that a more tailored response to debt restructuring under the Evian approach of the Paris Club reflects the social and development needs of debtor countries, their financial vulnerabilities and the objective of enhancing long-lasting debt sustainability and, in this respect, emphasizes that creditors and debtors must share responsibility for preventing and resolving unsustainable debt situations in a timely and efficient manner and also calls for further discussion to improve the understanding of creditors and debtors on economic indicators that distinguish liquidity from solvency problems in debtor countries, in order to prevent liquidity difficulties from evolving into insolvency;

14. *Acknowledges* the ongoing work towards a more comprehensive approach to sovereign debt restructuring, supports the increasing inclusion of collective action clauses in international bond issuing, and strongly encourages borrowers, lenders and multilateral institutions to continue working towards reaching an international understanding on debt restructuring modalities, including voluntary code and international arbitration or mediation mechanisms, which would bring together debtors, and official and private creditors in a collaborative and constructive dialogue with a view to resolving debt problems in an expeditious and timely manner and to equitably protecting the interests of debtors and creditors, bearing in mind the need not to preclude emergency financing in times of crisis;

15. *Welcomes* the efforts of the international community to provide flexibility, and stresses the need to continue those efforts in helping post-conflict developing countries, especially those that are heavily indebted and poor, to achieve initial reconstruction for economic and social development;

16. *Stresses* the need for the international community to provide flexibility to developing countries affected by natural disasters so as to allow them to adequately address their debt concerns including those arising from reconstruction activities;

17. *Welcomes* the efforts of, and further calls upon, the international community to support institutional capacity-building in developing countries and countries with economies in transition for the management of financial assets and liabilities and to enhance sustainable debt management as an integral part of national development strategies;

18. *Invites* the United Nations Conference on Trade and Development, the International Monetary Fund and the World Bank, in cooperation with the regional commissions, development banks and other relevant multilateral financial institutions, to hold frequent consultations and strengthen their coordination in respect of capacity-building activities in developing countries in the area of debt management;

19. *Calls upon* all Member States and the United Nations system, and invites the Bretton Woods institutions and the private sector, to take appropriate measures and actions for the implementation of the commitments, agreements and decisions of the major United Nations conferences and summits, in particular those relating to the question of the external debt problems of developing countries;

20. *Requests* the Secretary-General to submit to the General Assembly at its sixty-first session a report on the implementation of the present resolution and to include in that report a comprehensive and substantive analysis of the external debt and debt-servicing problems of developing countries;

21. *Decides* to include in the provisional agenda of its sixty-first session, under the item entitled "Macroeconomic policy questions", the sub-item entitled "External debt crisis and development".